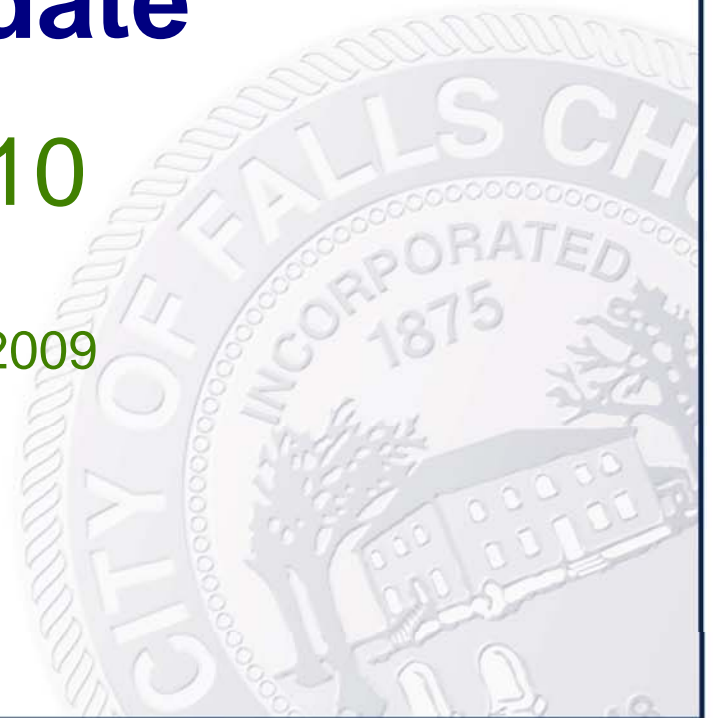


Financial Update

FY2009-2010

Prepared March 12, 2009



Fiscal Policies (adopted 1/12/2009)

- **Fund Balance Policies**

- Fund balance above 12% of revenues available for one-time expenditures

- Fund balance maintained above 8%

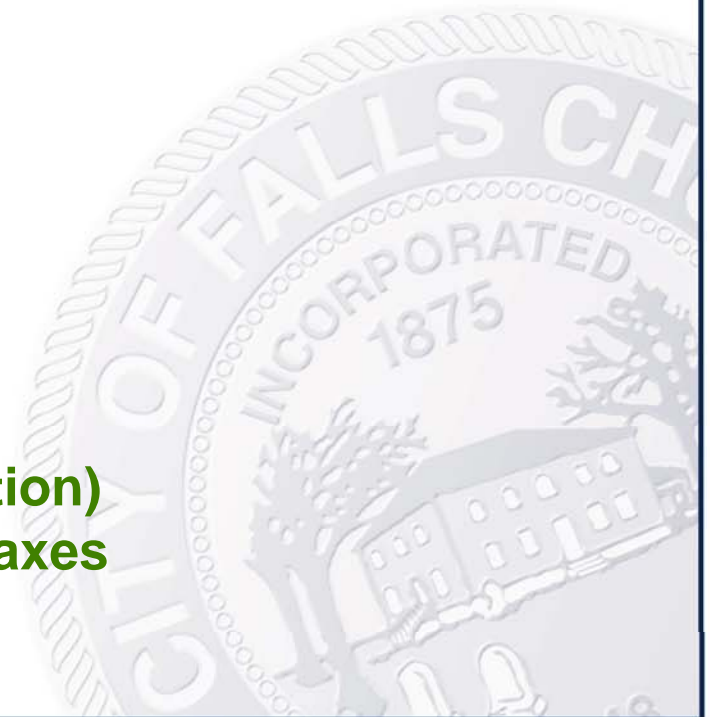
- **Debt Policies**

- Total outstanding debt not to exceed 5% of value of taxable real estate

- Annual debt service not to exceed 12% of governmental expenditures

FY2010 General Fund Projections

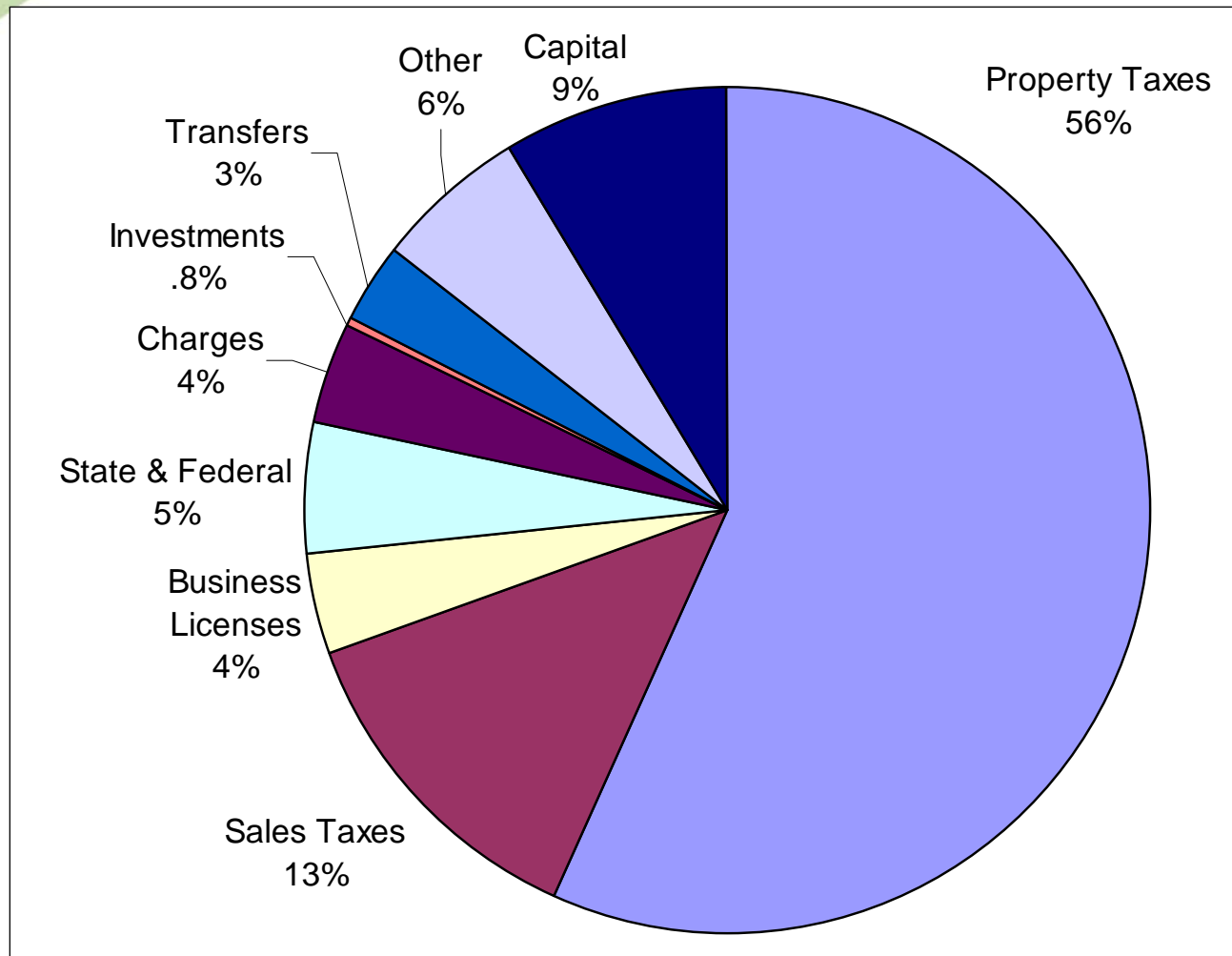
- Declining real estate values
 - Down 2.5% from 2008
- Declining sales tax
 - Down 14.0%
- Declining BPOL
 - Down 11.1%
- Declining permits
 - Down 56.9%
- Increasing charges and fees
 - Up 18.0% (primarily Recreation)
- Increasing meals and utilities taxes
 - Up 3.6%



FY2010 Revenues

	FY2009	FY2010	\$ Change	% Change
Property Taxes	41,314,936	41,167,131	(147,806)	-0.36%
Meals & Utility	5,168,000	5,352,400	184,400	3.57%
Sales Taxes	4,503,200	3,875,000	(628,200)	-13.95%
Business Licenses	3,207,962	2,853,198	(354,764)	-11.06%
Building Permits	915,624	394,483	(521,141)	-56.92%
State & Federal	3,699,079	3,663,613	(35,466)	-0.96%
Charges & Fees	2,072,542	2,446,444	373,902	18.04%
Investments	650,000	214,000	(436,000)	-67.08%
Interfund Transfers	2,802,582	2,212,411	(590,171)	-21.06%
Other	3,669,061	4,059,780	390,719	10.65%
	68,002,986	66,238,460	(1,764,527)	-2.59%

Revenue Sources



New Construction

- 2006: \$ 92.5 m
- 2007: 128.0 m
- 2008: 108.5 m
- 2009: 66.7 m

New construction is 1.9% of 2009
total assessed value



Comparative Tax Rates (Proposed)

Rank	2009		2010	
	2008	Base Rate	Special Taxing Districts	Comm. Proposed
			Range	Rate
1	Leesburg	1.32		1.4875
2	Manassas Park	1.24		31-March
3	Herndon	1.16		31-March
4	Loudoun	1.14	0.13 0.30	1.29
5	Vienna	1.12		6-April
6	Manassas (includes fire)	1.05		1.37
7	Falls Church	1.03		1.07
8	Prince William	0.97	0.00 0.20	1.20
9	Fairfax County	0.92	0.01 0.22	1.15 1.04
10	Arlington	0.85	0.04 0.14	0.998 .878
11	Alexandria	0.85		.887
12	City of Fairfax	0.79	0.00 0.22	.935

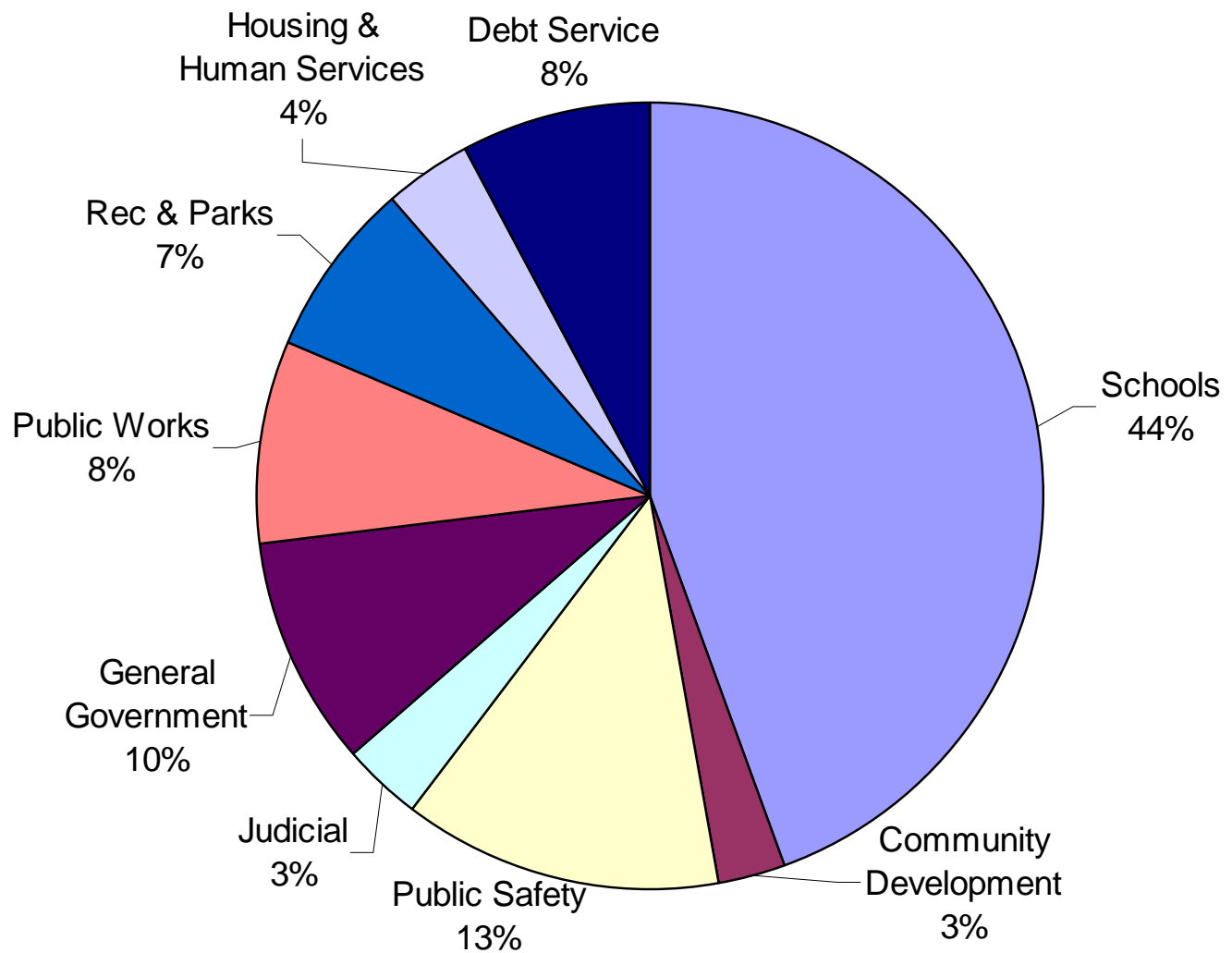
Comparative BPOL Rates

BPOL Tax Rate Comparison						
	Fee	MinTax	Contractors	Retail	Repair, Pers Serv	Prof Serv
State Maximum Rate			0.16	0.20	0.36	0.58
Falls Church	n/a	30	0.16	0.19	0.36	0.52
Alexandria	n/a	50	0.16	0.20	0.35	0.58
Vienna	n/a	30	0.12	0.17	0.22	0.52
Fairfax City	n/a	n/a	0.16	0.20	0.27	0.40
Herndon	n/a	30	0.13	0.13	0.21	0.40
Arlington	n/a	n/a	0.16	0.20	0.35	0.36
Prince William	n/a	n/a	0.13	0.17	0.21	0.33
Fairfax County	30	n/a	0.11	0.17	0.19	0.31

FY2009 Expenditures

	2009	2010	Change
General Government*	38,090,506	36,883,146	-3.2%
School Transfer	30,117,600	29,624,825	-1.6%
Pay-as-you-go	2,401,480	113,000	-95.2%
Total	\$70,609,586	\$66,620,971	-5.7%

Expenditures



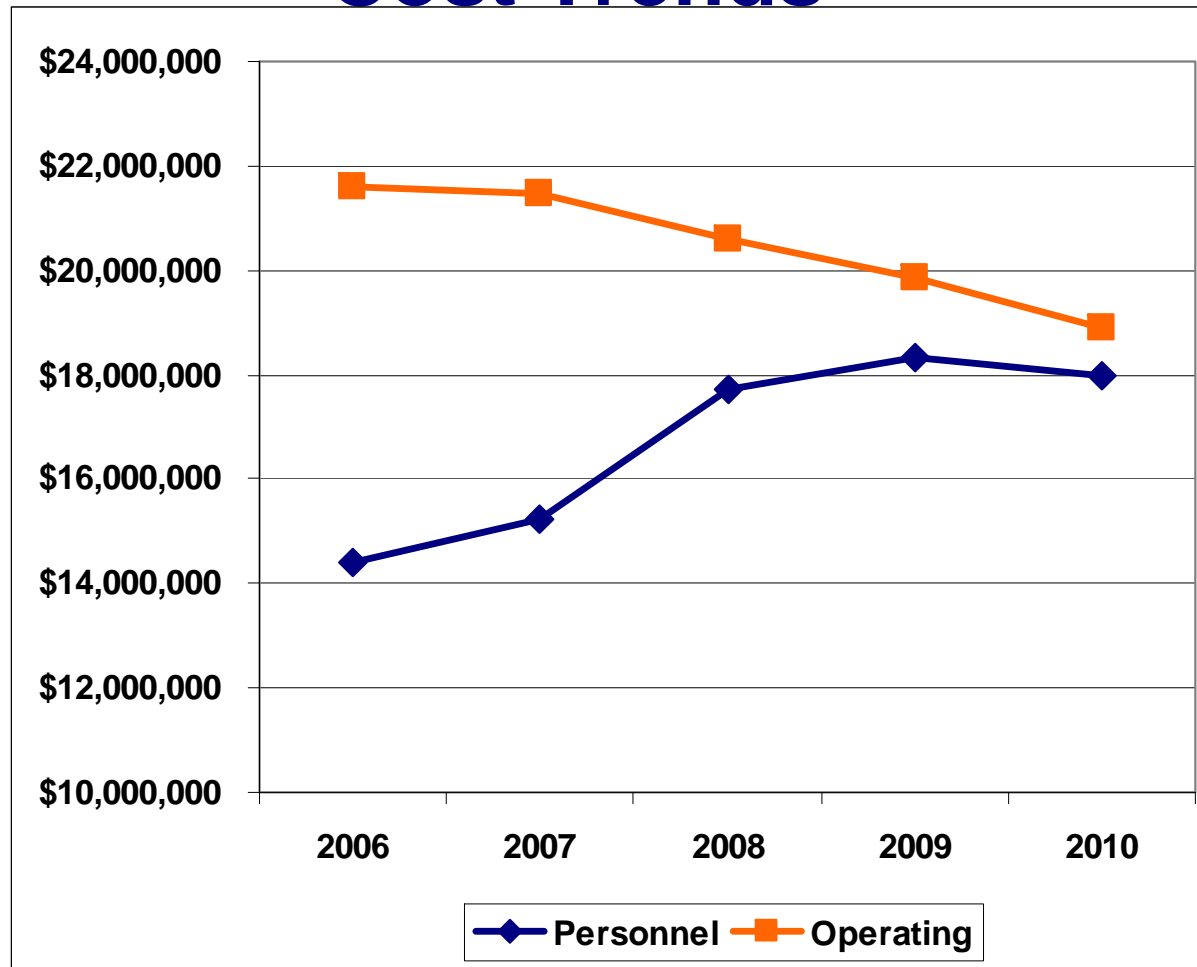
General Fund Expenditures

- Personnel costs are almost 50% of the budget
- Pay frozen
- Positions Defunded/Service Impacts
- Retirement
 - Basic retirement increase from 6.6% to 7.02%
 - Police retirement increase from 0.87% to 5.63%
- Health insurance increase of 5%

General Fund Expenditures

	2006	2007	2008	2009	2010
Personnel Costs	14,418,893	15,249,501 5.7%	17,727,353 16.3%	18,332,310 3.4%	17,978,184 -1.9%
Other Operating	21,606,215	21,457,042 -0.7%	20,617,688 -4.8%	19,846,171 -2.8%	18,913,922 -4.7%
Total	36,025,108	36,706,544 1.9%	38,445,041 5.8%	38,178,481 -0.3%	36,892,106 -3.4%

General Fund Operating Cost Trends



General Fund Debt Service

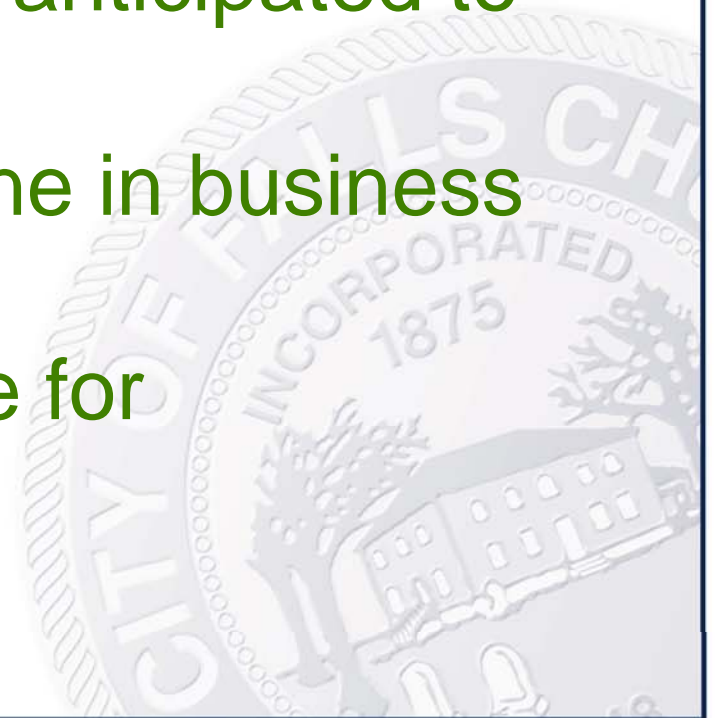
Function		Amount
Schools	\$	3,476,021
General Government		1,551,689
Open Space		122,678
Total	\$	<u>5,150,380</u>

Debt service decreases 3.1% from FY2009

[Note: Debt service for bonds issued in a fiscal year begins the next fiscal year]

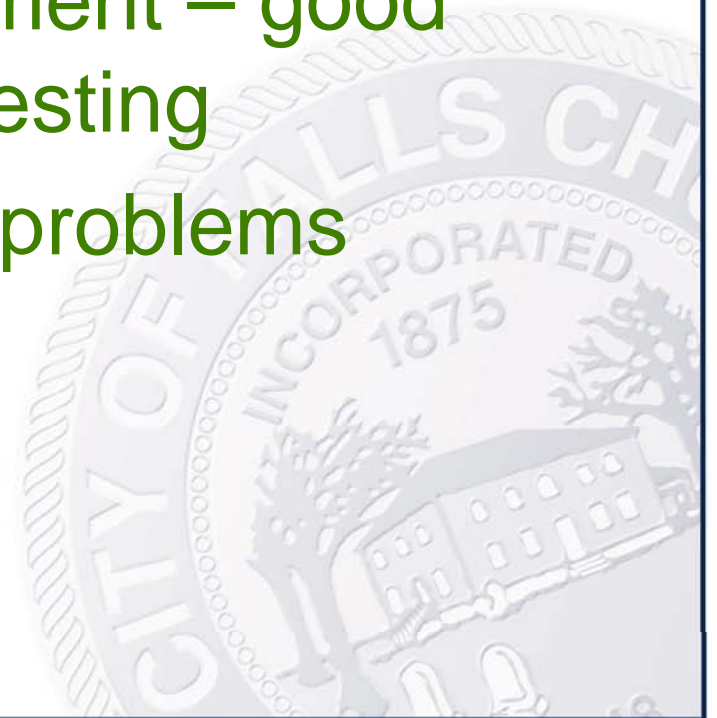
FY2009 Projection – Fund Balance

- Fund Balance at June 30 anticipated to be at target
- Assumes no further decline in business activity
- No fund balance available for expenditure



Issues to Consider FY2011 and Beyond

- Low interest rate environment – good for borrowing, bad for investing
- State and federal budget problems
- Need for sewer capacity



Issues to Consider FY2011 and Beyond

- Increasing pension contributions
 - Full effect of stock market declines to be felt for 3-5 years (\$200K+ per year)
- Continued slow pace of development
 - New construction limited to homeowner improvements
- Continued slow residential real estate market
 - No growth in assessments



“Gap” Projection

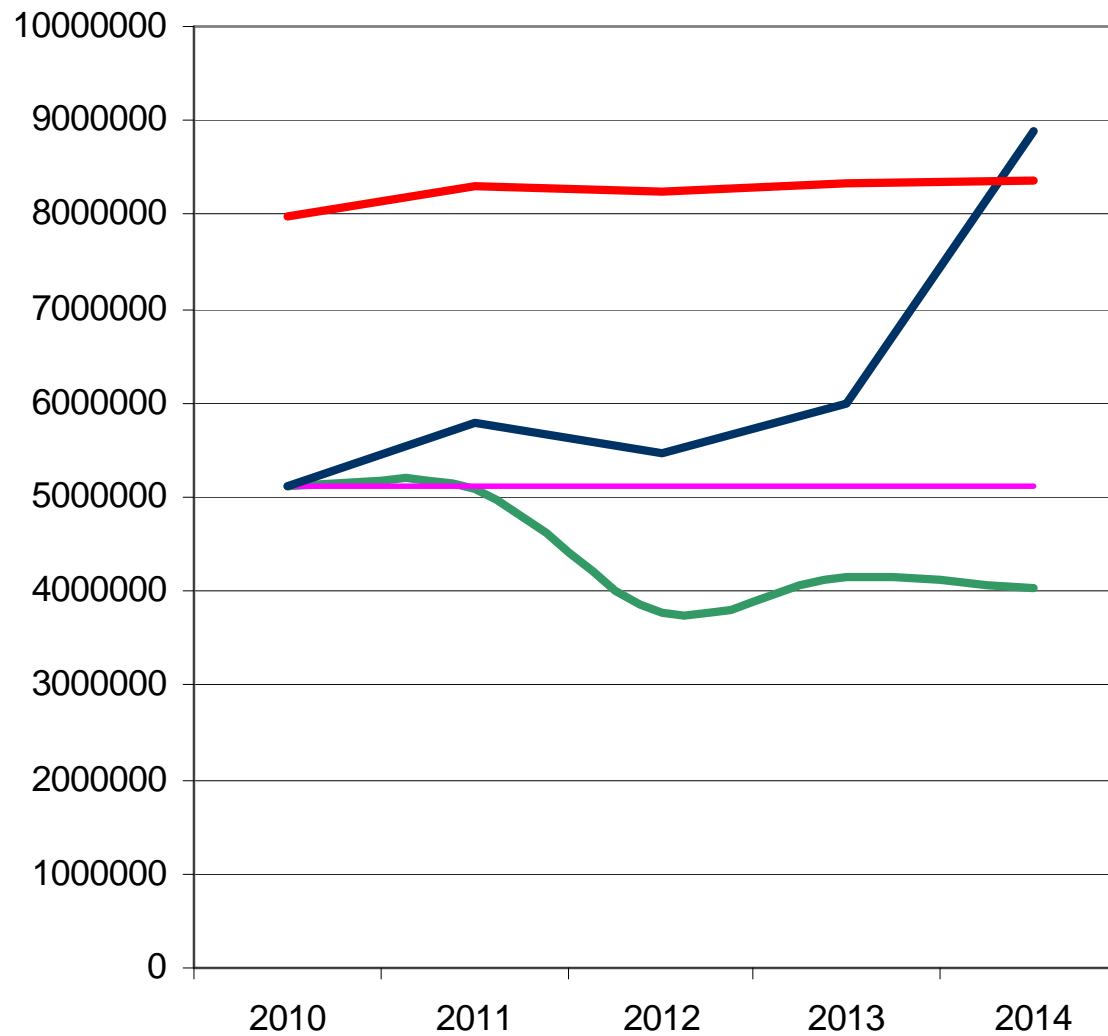
	FY2010	FY2011
Revenues	66,472,641	66,472,641
BJ's taxes		500,000
	66,472,641	66,972,641
Expenditures	66,472,641	66,472,641
4% General Growth		1,183,580
4% School Transfer		1,269,311
Pension Cost		200,000
Debt Service (existing)		(5,243)
Debt Service (new)		
	66,472,641	69,120,289
The Gap	-	2,147,647
Tax rate @350K/penny	1.07	1.13

CIP Considerations

- City Hall & Public Safety Building
 - \$14 million
 - Debt financed FY2011
- School Construction/Major Renovation
 - \$30.8 million
 - Debt financed FY2012/2013



Debt Service



existing debt 2010 debt service With CIP 12% of Exp

Utility Funds

- Sewer Fund
 - No rate increase for FY2010
 - Rate increases needed FY2011 and beyond due to Fairfax plant upgrades
 - \$0.10 increase = \$38,000
- Water Fund
 - No rate increase for FY2010
 - Remains healthy
 - Future rate increases modest



Discussion

- General Assembly Update
- Federal Stimulus

